

**TOWN OF VERNON  
VERNON, UTAH**

**BASIC FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2006**

# **TOWN OF VERNON** **TABLE OF CONTENTS**

	<u>Page</u>
Accountant's Compilation Report .....	1
Management's Discussion and Analysis .....	2
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets .....	7
Statement of Activities .....	8
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds .....	9
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	13
Notes to Basic Financial Statements .....	14



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**Jensen & Keddington, P.C.**

Certified Public Accountants

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**ACCOUNTANT'S COMPILATION REPORT**

Honorable Mayor and  
Members of Town Council  
Town of Vernon  
Vernon, Utah

We have compiled the accompanying basic financial statements of the Town of Vernon as of and for the year ended June 30, 2006, as listed in the table of contents, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying basic financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis and budgetary comparison information, on pages 2 through 6 and page 13, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, with audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Jensen & Keddington*

November 20, 2006

**TOWN OF VERNON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2006**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Town of Vernon's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2006.

Please read it in conjunction with the Town's basic financial statements, which begin on page 7.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 7 and 8) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's fund.

**REPORTING THE TOWN AS A WHOLE**

**The Statement of Net Assets and the Statement of Activities**

One of the most important questions asked about the Town's finances is "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* and changes in them. You can think of the Town's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base, income tax base, and the condition of the Town's capital assets (roads and buildings) to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into activities:

Governmental activities: most of the Town's basic services are reported here, including the fire department, street maintenance, parks and recreation, and general administration. Sales taxes, property taxes, fees for services, and state and federal grants finance most of these activities.

**TOWN OF VERNON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2006**

**REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

Our analysis of the Town's fund begins on page 6. The fund financial statements begin on page 9 and provide detailed information about the fund – not the Town as a whole. Some funds are required to be established by State law. However, the Town council establishes other funds to help it control and manage money for particular purposes, (ex. Capital Improvements Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (ex. Grants received from the U.S. Department of Housing and Urban Development).

*Governmental funds:* All of the Town's basic services are reported in a governmental fund, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending, except for the 5% of budgeted revenues which is restricted by State law. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources available in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation with the fund financial statements.

**TOWN OF VERNON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2006**

**THE TOWN AS A WHOLE**

	Governmental Activities	
	June 30, 2006	June 30, 2005
Current and other assets	\$ 47,239	\$ 45,862
Capital assets	257,345	247,808
Total Assets	304,584	293,670
Other liabilities	5,000	5,000
Total Liabilities	5,000	5,000
Net assets:		
Invested in capital assets, net of debt	257,345	247,808
Unrestricted	42,239	40,862
Total Net Assets	\$ 299,584	\$ 288,670

**TOWN OF VERNON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2006**

	Governmental Activities	
	For The Years Ended	
	June 30, 2006	June 30, 2005
Revenues		
Program revenues:		
Charges for services	\$ 2,838	\$ 1,868
Operating grants and contributions	120,200	52,571
General revenues:		
Property taxes	6,468	6,514
Other taxes	21,963	19,682
Other general revenues	12,469	2,383
Total revenue	<u>163,938</u>	<u>83,018</u>
Program expenses:		
General government	84,017	35,430
Public safety	32,428	19,470
Highway and public improvements	36,579	36,197
Total expenses	<u>153,024</u>	<u>91,097</u>
Increase (decrease) in net assets	10,914	(8,079)
Net Assets Beginning of Year	288,670	296,749
Net Assets End of year	<u>\$ 299,584</u>	<u>\$ 288,670</u>

**TOWN OF VERNON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2006**

**THE TOWN'S FUNDS**

**General Governmental Functions**

The General Fund

The fund balance increased by 3.4% (from \$40,862 to \$42,239).

The increase in the fund balance is a result of a combination of revenues being more than budgeted by \$2,116 and expenditures being less than budgeted by \$1,681.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The most significant capital asset change has been the purchase of fire equipment.

**Debt**

The Town has operated without debt for most of its existence.



**TOWN OF VERNON**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 13,974
Investments	28,265
Receivables:	
Taxes	5,000
Capital assets - net of accumulated depreciation	
Land	15,000
Buildings and improvements	117,268
Equipment	48,456
Infrastructure	76,621
<b>Total Assets</b>	<b>\$ 304,584</b>
<b>Liabilities:</b>	
Deferred revenue	5,000
<b>Total Liabilities</b>	<b>5,000</b>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	257,345
Unrestricted	42,239
<b>Total Net Assets</b>	<b>299,584</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 304,584</b>

The accompanying notes are an integral part of the financial statements.

**TOWN OF VERNON**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2006**

Functions/Programs	Expenses	Charges for Services	Programs Revenue		Net (Expenses) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
<b>Government Activities:</b>					
General governmental	\$ 84,017	\$ 2,838	\$ 79,305	\$ -	\$ (1,874)
Public safety	32,428	-	9,789	-	(22,639)
Highway and public improvements	36,579	-	31,106	-	(5,473)
<b>Total Governmental Activities</b>	<b>\$ 153,024</b>	<b>\$ 2,838</b>	<b>\$ 120,200</b>	<b>\$ -</b>	<b>(29,986)</b>
<b>General Revenues:</b>					
					6,468
					21,963
					1,116
					11,353
			<b>Total General Revenues</b>		<b>40,900</b>
			Change in Net Assets		10,914
			<b>Net Assets, Beginning</b>		<b>288,670</b>
			<b>Net Assets, Ending</b>		<b>\$ 299,584</b>

The accompanying notes are an integral part of the financial statements.

**TOWN OF VERNON**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2006**

	<u>General</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 13,974	\$ 13,974
Investments	28,265	28,265
Receivables:		
Taxes	5,000	5,000
<b>Total Assets</b>	<u>\$ 47,239</u>	<u>\$ 47,239</u>
<b>Liabilities:</b>		
Deferred revenue	\$ 5,000	\$ 5,000
<b>Total Liabilities</b>	<u>5,000</u>	<u>5,000</u>
<b>Fund Balances:</b>		
Unreserved, reported in:		
General fund	42,239	42,239
<b>Total Fund Balances</b>	<u>42,239</u>	<u>42,239</u>
<b>Total Liabilities and         Fund Balances</b>	<u>\$ 47,239</u>	<u>\$ 47,239</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF VERNON**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET ASSETS**  
**June 30, 2006**

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 42,239
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>257,345</u>
Total net assets - governmental activities	<u><u>\$ 299,584</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF VERNON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2006**

	<u>General</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>		
Taxes	\$ 28,431	\$ 28,431
Intergovernmental revenues	120,200	120,200
Charges for services	2,838	2,838
Miscellaneous revenues	11,353	11,353
Interest	1,116	1,116
<b>Total Revenues</b>	<u>163,938</u>	<u>163,938</u>
<b>Expenditures:</b>		
Current:		
General government	82,454	82,454
Public safety	19,001	19,001
Highway and public improvements	31,106	31,106
Capital outlay	30,000	30,000
<b>Total Expenditures</b>	<u>162,561</u>	<u>162,561</u>
<b>Excess of Revenues Over Expenditures</b>	<u>1,377</u>	<u>1,377</u>
<b>Net Change in Fund Balance</b>	1,377	1,377
<b>Fund Balance, Beginning</b>	<u>40,862</u>	<u>40,862</u>
<b>Fund Balance, Ending</b>	<u><u>\$ 42,239</u></u>	<u><u>\$ 42,239</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF VERNON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,377
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives	(20,463)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net assets.	30,000
Change in net assets of governmental activities	<u>\$ 10,914</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF VERNON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**For The Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 27,431	\$ 27,431	\$ 28,431	\$ 1,000
Intergovernmental revenues	120,200	120,200	120,200	-
Charges for services	5,256	5,256	2,838	(2,418)
Miscellaneous revenues	8,935	8,935	11,353	2,418
Interest	-	-	1,116	1,116
<b>Total Revenues</b>	<u>161,822</u>	<u>161,822</u>	<u>163,938</u>	<u>2,116</u>
<b>Expenditures:</b>				
General government	82,477	82,477	82,454	23
Public safety	20,659	20,659	19,001	1,658
Highway and public improvements	31,106	31,106	31,106	-
Capital outlay:				
Public safety	30,000	30,000	30,000	-
<b>Total Expenditures</b>	<u>164,242</u>	<u>164,242</u>	<u>162,561</u>	<u>1,681</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>(2,420)</u>	<u>(2,420)</u>	<u>1,377</u>	<u>3,797</u>
<b>Net Change in Fund Balance</b>	<u>\$ (2,420)</u>	<u>\$ (2,420)</u>	<u>1,377</u>	<u>\$ 3,797</u>
<b>Fund Balance, Beginning</b>			<u>40,862</u>	
<b>Fund Balance, Ending</b>			<u>\$ 42,239</u>	

The accompanying notes are an integral part of the financial statements.

**NOTES TO FINANCIAL STATEMENTS**



## **TOWN OF VERNON**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Vernon (the Town) provides the following services: public safety, highways and roads, and general administrative services.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

##### The Reporting Entity

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Component units that do not meet the criteria for being blended into the Town's primary government are reported discretely. There are no component units to be reported.

##### Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). The Town's public safety, highways and roads, and general administrative services are all classified as governmental activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Town and its component units. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**TOWN OF VERNON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they became available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to claims and judgments are recorded only when payment is due.

Sales taxes and earned but un-reimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the Town:

The Town reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads and street lights) are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

**TOWN OF VERNON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of fixed assets is computed using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Buildings and Improvements	40
Equipment	5-7
Infrastructure	25

Budgets

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Council on or before June 22 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Council at any time during the year.

A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years. The level of the Town's budgetary control (that is, the level at which the Town's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the Mayor and Town Council for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance until it exceeds 5% of the General Fund revenues. Until the unreserved fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When an unreserved fund balance is greater than 18% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

Once adopted, the budget can be amended by subsequent Town Council action. The Town Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance, in which case a public hearing must be held. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the Town.

Taxes

On or before June 22 of each year, the Town sets the property tax rate for various municipal purposes. If the Town intends to increase property tax revenues above the tax rate of the previous year, state law requires the Town to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget is made subsequent to June 22. All property taxes levied by the Town are assessed and collected by Tooele County. Taxes are levied as of January 1 and due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. If after five years, delinquent taxes have not been paid, the County sells the property

**TOWN OF VERNON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Taxes (Continued)

at a tax sale. Tax collections are remitted to the Town from the County on a monthly basis.

Sales taxes are collected by the Utah State Tax Commission and remitted to the Town monthly.

Cash and cash equivalents

The Town considers all cash and investments with original maturities of three months or less to be cash and cash equivalents.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 DEPOSITS AND INVESTMENTS**

Deposits and investments for the Town are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the Town's exposure to various risks related to its cash management activities.

*Custodial credit risk – deposits* is the risk that in the event of bank failure, the Town's deposits may not be recovered. The Town's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Town to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council. As of June 30, 2006, \$0 of the Town's bank balances of \$13,974 were uninsured and uncollateralized.

*Custodial credit risk – investments* is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk of investments. The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

*Credit risk* is the risk that the counterparty to an investment will not fulfill its obligations. The Town policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investment include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; banker acceptances obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

**TOWN OF VERNON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 2 DEPOSITS AND INVESTMENTS (Continued)**

The Town is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the Town had investments of \$28,265 with PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

*Interest rate risk* is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested.

*Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

**TOWN OF VERNON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 3 CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
<b>Total capital assets, not being depreciated</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>15,000</b>
Capital assets, being depreciated:				
Buildings and improvements	187,613	-	-	187,613
Equipment	47,595	30,000	-	77,595
Infrastructure	135,552	-	-	135,552
<b>Total capital assets being depreciated</b>	<b>370,760</b>	<b>30,000</b>	<b>-</b>	<b>400,760</b>
Less accumulated depreciation for:				
Buildings and improvements	65,655	4,690	-	70,345
Equipment	18,839	10,300	-	29,139
Infrastructure	53,458	5,473	-	58,931
<b>Total accumulated depreciation</b>	<b>137,952</b>	<b>20,463</b>	<b>-</b>	<b>158,415</b>
<b>Total capital assets, being depreciated, net</b>	<b>232,808</b>	<b>9,537</b>	<b>-</b>	<b>242,345</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 247,808</b>	<b>\$ 9,537</b>	<b>\$ -</b>	<b>\$ 257,345</b>

Depreciation expenses were charged to functions/programs as follows:

<b>Governmental activities:</b>	
General government	\$ 1,563
Public safety	13,427
Highways and public improvements	5,473
<b>Total depreciation expense - governmental activities</b>	<b>\$ 20,463</b>

**TOWN OF VERNON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 4 DEFERRED PROPERTY TAXES**

In conjunction with the implementation of GASB pronouncement 33 "*Accounting and Financial Reporting for Nonexchange Transactions*" the Town has accrued a property tax receivable and deferred property tax revenue in the amount of \$5,000.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1 and then are due and payable at November 30. Since the property tax levied on October 1, 2006 was not expected to be received within 60 days after year ended June 30, 2006, the Town was required to record a receivable and deferred revenue of the estimated amount of the total property tax to be levied on October 1, 2006.

**NOTE 5 STATE RETIREMENT PLANS**

The Town of Vernon does not participate in the Utah Sate Retirement System programs or any other retirement program and does not have any 457 deferred compensation plans.

**NOTE 6 RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions and natural disasters. The Town participates in the Utah Local Government Insurance Trust, a public entity risk pool to manage its risk of loss. The Town pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2006 there were no outstanding unpaid claims. Also, the Town had no claim settlements during the three years ending June 30, 2006 which exceeded its insurance coverage. The Town also has a fidelity bond coverage with a private carrier.

**NOTE 7 PROPERTY TAX CALENDAR**

January 1	Lien Date-All property appraised based upon sites and status as of this date (real and personal).
March 1	Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice.
June 22	County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notice of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices.
September 1	State Tax Commission approves tax rates.

**TOWN OF VERNON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7    PROPERTY TAX CALENDAR (Continued)**

November 1	County auditor to deliver an equalized assessment roll to the county treasurer with affidavit.
November 1	County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings.
November 30	Taxes on real property become delinquent.